REPORT OF PROGRESS ON THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

DECEMBER 3, 1959

UNITED STATES CIVIL SERVICE COMMISSION
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BUREAU OF RETIREMENT AND INSURANCE

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After five years of consideration of various ideas for providing health benefits programs for Federal employees, the Congress in the closing hours of the first session of the 86th Congress approved the bill S. 2162. On September 28, 1959, the President signed what is known as the "Federal Employees Health Benefits Act of 1959", Public Law 86-382. This Act provides for Government contributions toward the cost of prepaid health benefits plans for Federal employees and authorizes payroll deductions from the salaries of employees to meet the remainder of the cost.

The benefits provided by this Act will become effective in July of 1960. Unlike most beneficial legislation affecting Federal employees, this Act does not spell out the exact benefits which are available. Rather, it leaves the determination of these benefits to negotiation between the Civil Service Commission, which is charged with the administration of the Act, and the carriers who will provide the health benefits plans.

The Health Benefits Act gives employees a completely free choice among a wide variety of plans which differ in the basic methods of providing health benefits; for example, direct-service benefits as opposed to indemnity benefits. Additionally, employees will have a choice among different priced plans with correspondingly different levels of benefits. Although not every employee will have every plan available to him, the Commission will be concerned with negotiating and approving perhaps as many as 30 to 40 separate health benefit plans.

Before the Act can become effective, the Commission must issue regulations to cover matters left to its discretion, approve health benefit plans and the carriers of the plans, formulate all of the procedures such as those necessary for enrollment and for making and accounting for payroll deductions and agency contributions, and develop and conduct training programs for agency personnel who will have responsibilities in the health benefits area.

Much has been done. Much more remains to be done between now and July of 1960. This is a report of progress to date and an indication of some of the tasks remaining with, where possible, target dates for completion of various phases.

ORGANIZATION

On the day that President Eisenhower signed the Federal Employees Health Benefits Act the Commission established a Bureau of Retirement and Insurance. In this Bureau three major employee benefits laws will be administered: the Civil Service Retirement Act, the Federal Employees' Group Life Insurance Act, and the new Federal Employees Health Benefits Act. The Bureau is headed by Andrew E. Ruddock as Director and David F. Lawton as Assistant Director. Its organization is designed to carry on the previously existing retirement and life insurance operations with a minimum of disruption resulting from the addition of the health benefits function.

To assure that there will be minimum disruption and at the same time to develop and implement the Health Benefits Program by July 1960, the Commission has established within the Bureau of Retirement and Insurance a Health Benefits Task Force, attached to the Bureau Director's office and directed by Solomon Papperman. This Task Force is currently a relatively small group of about twelve persons. Its work, however, is backed by other Bureau and Commission resources. The Task Force is expected to continue at least through July of 1960. After the Health Benefits Program goes into operation, it is expected that the routine day-to-day health benefits activities will be distributed among existing components of the Bureau. A permanent component to handle continuing non-routine aspects of the Health Benefits Program will probably be set up as part of the Bureau.

ADVISORY COMMITTEE

On October 12, 1959, two weeks after the signing of the Federal Employees Health Benefits Act, the Chairman of the Commission appointed the five-member advisory committee created by the Act. The members of this committee represent all employees, organized and unorganized, rather than any particular group or groups.

The function of the committee is to advise the Commission regarding matters of concern to employees under this Act. Since practically all problems that will arise under the Act will concern Federal employees, the advisory function of the Health Benefits Advisory Committee will be broad.

Members of the committee, who serve without compensation, are:

James A. Campbell, President,
American Federation of Government Employees

Jerome J. Keating, Vice President,
National Association of Letter Carriers

Vaux Owen, President,
National Federation of Federal Employees

William H. Ryan, President,
District No. 44
International Association of Machinists

Leon L. Wheeless, Director of Civilian Personnel Policy,
Department of Defense

The committee has met with Commission staff on November 17 and on November 24, and has already given valuable help on pressing problems. While no specific schedule has been established for future meetings, it is expected that the committee will meet on an average of twice a month during the period between now and July of 1960. It will presumably meet with less frequency thereafter.

REGULATIONS

Progress in practically all phases of the Health Benefits Program depends on the regulations the Commission must formulate to govern the program. These regulations must establish policy in numerous areas in which the Health Benefits Act either is silent or defers to the Commission's discretion. These regulations when issued will affect, among others, employees and their families, departments and agencies, health benefits carriers, and purveyors of hospital and medical goods and services.

Advice in the numerous subject-matter areas in which the Commission must regulate has been received from many people. Commission staff has sought advice from a variety of sources--other groups have taken the initiative in bringing to the Commission advice in areas in which they are most knowledgeable. In the past two months, Commission staff members have met with several hundred people. While the suggestions and advice of these people have not always been consistent one with another--and in some cases have been sharply conflicting--careful consideration has been and will be given to all views expressed. The primary objective of the Commission's regulations must, of course, be one of obtaining the maximum in health benefits for Federal employees for the dollars available.

Following is a timetable of target dates for regulations:

December 4, 1959 -- Copies of a first working draft of the proposed regulations will be available. Written comment by December 16 will be requested from a number of sources primarily affected. to 4PM. 12/9/59

December 21, 1959 -- A staff summary of comments received will be given to the Health Benefits Advisory Committee for study. Shortly thereafter, the committee will meet to advise the Commission specifically concerning the regulations.

January 15, 1960 -- A draft of proposed regulations will be submitted to the Commissioners for tentative approval.

February 1, 1960 -- The regulations, in the form of proposed rule-making, will be published in the Federal Register.

March 15, 1960 -- The approved regulations will be published in final form in the Federal Register.

Additional regulations will undoubtedly be necessary from time to time. Such regulations will be issued only after consideration of comments from those whose advice will be most helpful.

HEALTH BENEFITS PLANS

The Federal Employees Health Benefits Act of 1959 authorizes the Commission to contract for or approve one Government-wide service benefit plan and one Government-wide indemnity benefit plan, each offering two levels of benefits, as well as certain employee organization plans, and comprehensive medical plans of the group- or individual-practice prepayment type. The price of the least expensive of the four levels of benefits under the Government-wide plans is expected to be about $2.60 biweekly for a single enrollment and $6.25 biweekly for a family enrollment. The Government will contribute 50% of this cost and, with two relatively minor exceptions, will contribute a like dollar amount for enrollment in any other approved plan.

By March the Commission expects to have completed contract negotiations for both Government-wide service benefits plans and to have approved those employee organization and comprehensive medical plans which will participate in the program.

The intermediate steps, some of which have already been taken, leading to meeting the March 1 date vary with the different types of plans and are expected to be as follows:

Service Benefit Plan

October 12, 1959 -- The national organizations of the Blue Cross-Blue Shield (with whom the Commission expects to contract for this plan) were asked to designate representatives to participate in contract negotiations.

November 9 and November 18, 1959 -- Meetings were held with the designated Blue Cross-Blue Shield representatives to discuss basic premises affecting the development of the plan.

December 9, 1959 -- Blue Cross-Blue Shield will submit a proposed plan for Commission consideration.

March 1, 1960 -- Negotiations will be completed and contract signed.

Indemnity Benefit Plan

The Act requires the Commission to select one insurance company to be the prime carrier of the Government-wide indemnity benefit plan. The company selected must agree to cede reinsurance to all other companies which issue group health insurance policies. To qualify to be the prime carrier, a company must meet two requirements as follows:

1. The Act specifies that the prime carrier must be licensed to issue group health insurance in all the States and the District of Columbia.

2. The Commission has adopted the volume-of-business test suggested by the House Committee on Post Office and Civil Service in its report on the bill: that is, that the company to be selected must have made at least 1% of all group health insurance benefit payments in the United States during the most recent year for which data are available.

October 12, 1959 -- The Commission addressed letters to the three major insurance trade associations requesting names of insurance companies which meet the two basic requirements for selection as prime carrier. Responses from the trade associations indicated that the following companies meet the two basic requirements:

Aetna Life Insurance Company
The Bankers Life Company of Des Moines
Connecticut General Life Insurance Company
Continental Assurance Company
Continental Casualty Company
The Equitable Life Assurance Society of the United States
John Hancock Mutual Life Insurance Company
Liberty Mutual Insurance Company
Metropolitan Life Insurance Company
Mutual Benefit Health and Accident Association
New York Like Insurance Company
The Prudential Insurance Company of America
The Travelers Insurance Company

November 6, 1959 -- Commission staff met with representatives of these companies to review criteria (in addition to the two basic ones) which the Commission might consider in the selection of a prime carrier, and for discussion of areas in which the Commission may in the future need the advice of the insurance industry.

November 13, 1959 -- The Commission sent letters to each of the companies requesting an expression of the degree of their interest in being selected and also requesting additional information to enable the Commission to make an informed selection (e.g., claims facilities, total assets, relations with providers of medical care, experience with ten largest cases).

December 15, 1959 -- Prime carrier will be selected.

January 15, 1960 -- The carrier selected will submit a proposed plan for Commission consideration.

March 1, 1960 -- Negotiations will be completed and a contract signed.

Employee Organization Plans

October 13, 1959 -- Letters were sent to some 50 employee organizations asking whether they intend to offer a plan for participation in the health benefits program and, if so, to submit prima facie evidence of the organization's eligibility (i.e., an employee organization must be national in scope or its membership must be open to all eligible employees of a department or agency).

December 7, 1959 to February 1, 1960 -- The Commission will notify employee organizations as to their eligibility to participate and will request those found eligible to submit details of the plan to be offered.

March 1, 1960 -- The Commission will have approved all participating plans.

Comprehensive Medical Plans

Informal sessions with each of the large group-practice and individual-practice prepayment plans have been held during the months of October and November to discuss problems which are unique to these plans. Target dates on these plans are:

November 24, 1959 -- A letter was sent to more than 75 comprehensive medical groups asking whether they believe they qualify and, if so, whether they wish to offer a plan for participation. Groups which wish to participate for the year beginning in July 1960, must express their interest in a letter to the Commission not later than December 31, 1959.

February 1, 1960 -- Interested and qualified groups offering comprehensive medical care will have submitted details of their plans.

March 1, 1960 -- The Commission will have approved all participating plans.

INFORMATION AND TRAINING

The Commission is, and expects to continue, releasing to interested parties, including news media, all available information on the progress being made in setting up the Health Benefits Program. To date, numerous news releases on the subject have been issued. In addition, the Commission has issued to departments and agencies Departmental Circular 1024, dated October 6, 1959. Bureau representatives have met with numerous groups which, for various reasons, have an interest in the Health Benefits Program, to explain the Act and discuss specific problems. With one exception, no timetable for the informational phase of the operation can be set up. The exception is:

May 1, 1960 -- The Commission expects to have available for agency distribution to employees detailed informational literature on the benefit plans that will be offered so that every employee can make an informed choice as to the plan which best fits his particular needs.

Beginning in January 1960 and extending through June, the Commission's Central and Regional Offices will hold comprehensive training sessions for agency personnel who will be involved in carrying out the responsibilities which will be assigned to agencies. These responsibilities will be in such areas as employee counselling, enrollments, payrolling, record-keeping, and certifying coverage. Target dates for this training are:

January 15, 1960 -- Begin two weeks' intensive training for representatives from the Commission's regional offices. (These representatives will be briefed on all aspects of the Health Benefits Program known at the time of the course. They will then return to their regional offices and will be available to agency field establishments to assist in setting up employee educational programs and in training field personnel in the administration of the program.)

January 28, 1960 -- A one-day pilot training session will be held for Washington, D. C. area agency personnel who are expected to be assigned responsibilities under the Health Benefits Program. Subject matter coverage in this session will include (1) the basic principles of prepaid health benefits, (2) a review of the Federal Employees Health Benefits Act of 1959 and proposed regulations and the way they are expected to operate, (3) a discussion of some of the responsibilities of agencies in administering the program as they have been determined by the time of the session, and (4) a presentation of all other pertinent information currently available.

February 1, 1960 -- Scheduling of regular training programs for field and Washington area agency personnel will begin.

ENROLLMENT OF ELIGIBLE EMPLOYEES

Generally speaking, all Federal employees will be eligible to participate in the Health Benefits Program unless their employment is temporary or intermittent. The Commission estimates that approximately 1,800,000 Federal employees will enroll for themselves and about 2,200,000 dependents. It is expected that the initial enrollment of employees will begin about June 1, 1960 and may extend through August. Employees wishing to participate as soon as the program becomes effective will have to enroll before the first day of the first pay period in July 1960.

It is also planned to have an annual two-week open period during which employees who did not enroll during the initial period may elect to participate in the program, and during which a participating employee may freely transfer from one plan to another. Employees will have at least 60 days after a change in family status in which to change from a single to family enrollment or vice versa.

The Commission has had requests from prospective carriers of some of the plans to permit their representatives to meet personally with groups of employees to explain their respective plans. The Commission does not intend to permit this and will instead rely on the informational literature issued to the employee and on counselling by agency representatives trained to explain the various plans.

MISCELLANEOUS

At least four other major jobs which are scheduled to be completed by May 1, 1960 confront the Health Benefits Task Force:

1. Instructions to Agencies: Preparation of a Federal Personnel Manual Chapter which will contain detailed instructions (a) interpreting and amplifying the Health Benefits Act and regulations, (b) providing detailed guidance on making and accounting for salary withholdings and agency contributions and (c) listing and explaining the benefits provided by each of the approved health benefits plans. This Federal Personnel Manual Chapter will be reprinted as a self-contained Health Benefits Manual and is expected to be ready by May 1, 1960.

2. Standard Forms: A number of standard forms will have to be devised, most important of which will be the form employees will use to enroll in the program and select a plan.

3. Informational Literature: To permit employees to make an informed selection from among the various plans, information on the benefits to be offered by each approved plan must be assembled in an easy-to-understand, uniform manner and distributed to employees through their agencies. (Corollary to this, the certificates or other evidence of enrollment to be issued by the various plans must be reviewed and approved by the Commission.)

4. Annuitants who Retire After July 1, 1960: Development of methods to enable agencies which administer the various retirement systems for Federal employees to handle their health benefits contributions and deductions from the annuity checks of retirees and survivors, and otherwise to service their annuitants who are enrolled in a health benefits plan. This servicing would include, among other things, a means of providing uninterrupted health benefits protection during an individual's transition from employee to annuitant status, and methods of certifying status, counselling, and answering inquiries.

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The assistance the Commission has received thus far from many sources has been invaluable to it and is appreciated. Continued cooperation will be essential to the success of the Federal Employees Health Benefits Program.